

## Message Text

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ACTION EUR-12

INFO OCT-01 IO-10 ISO-00 CIAE-00 COME-00 EB-07 INR-07

LAB-04 NSAE-00 SIL-01 DODE-00 PM-03 H-02 L-02 NSC-05

PA-02 PRS-01 SP-02 SS-15 USIA-15 OMB-01 /090 W

----- 122849

R 221723Z APR 75

FM AMEMBASSY BONN

TO SECSTATE WASHDC 9576

INFO AMCONSUL BREMEN

AMCONSUL DUSSELDORF

AMCONSUL FRANKFURT

AMCONSUL HAMBURG

AMCONSUL MUNICH

AMCONSUL STUTTGART

USMISSION USBERLIN

USMISSION GENEVA

USMISSION EC BRUSSELS

AMEMBASSY BERLIN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY HELSINKI

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY THE HAGUE

UNCLAS SECTION 01 OF 02 BONN 06516

E.O. 11652: N/A

TAGS: ELAB, GW

SUBJECT: VOLKSWAGEN DECIDES TO REDUCE WORK FORCE

REF: HAMBURG 0616, BONN 11165

1. SUMMARY. VOLKSWAGEN WILL REDUCE ITS LABOR FORCE BY  
APPROXIMATELY 25,000 WORKERS. THE ANNOUNCEMENT, WHICH  
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CAME AT A TIME OF HIGH UNEMPLOYMENT AND TWO IMPORTANT

LAND ELECTION CAMPAIGNS, WAS FOLLOWED BY ATTEMPTS BY THE CDU TO IDENTIFY VW PROBLEMS WITH THE SPD. THREATENED WORKERS REACTED BY DEMONSTRATING AT VW PLANTS IN BADEN-WUERTTEMBERG. THE METALWORKERS UNION, WHOSE PRESIDENT IS VICE CHAIRMAN OF THE VW BOARD OF SUPERVISORS, TOOK THE POSITION THAT SO MANY DISMISSALS WERE UNNECESSARY. THE DECISION BY THE VW BOARD OF SUPERVISORS OFFERS AN OPPORTUNITY TO EXAMINE THE WORKINGS OF MITBESTIMMUNG WHEN THE NEEDS OF THE COMPANY ARE PERCEIVED TO BE CONTRARY TO THE NEEDS OF THE WORKERS AND HAS PROVOKED THIS YEAR'S MAJOR POLITICAL-LABOR RELATIONS CONTROVERSY. END SUMMARY.

2. VOLKSWAGEN, PRODUCING AT 60-70 PERCENT CAPACITY BECAUSE OF DECLINING SALES ABROAD AND IN THE FRG, LOST A REPORTED DM 550 M IN 1974. IN AN EFFORT TO REDUCE LABOR COSTS, THE BOARD OF SUPERVISORS (AUFSICHTSRAT) VOTED 14 TO 7 TO BEGIN MASSIVE DISMISSALS OF WORKERS. THE SEVEN SUPERVISORS VOTING AGAINST MASS DISMISSALS WERE THE LABOR REPRESENTATIVES AMONG WHOM IS THE PRESIDENT OF THE METALWORKERS UNION, EUGEN LODERER. (THE PRESIDENT OF THE UNION-OWNED BANK FUER GEMEINWIRTSCHAFT (BFG), SITTING WITH THE STOCKHOLDERS, APPROVED THE CONTEMPLATED CUT.) ON APRIL 15, TONI SCHMUECKER, VW'S MANAGING DIRECTOR, ANNOUNCED THAT 25,000 WORKERS WOULD BE DISMISSED BY THE END OF 1976.

3. ALL INTERESTED PARTIES AGREED THAT A REDUCTION OF THE VW WORK FORCE IS NECESSARY. BUT THERE WERE SHARP DISAGREEMENTS ON WHEN, WHERE AND HOW THE WORKERS SHOULD BE DISCHARGED. IT WAS FINALLY DECIDED HOWEVER THAT THE MAJOR PART OF THE REDUCTION WOULD BE ACHIEVED THROUGH ATTRITION WITH LESS THAN 10,000 BEING SUBJECT TO ACTUAL DISMISSALS. TWO SMALL FACTORIES IN HEILBRONN AND NEUENSTEIN WILL BE COMPLETELY CLOSED BY THE END OF 1976. (THROUGH NATURAL ATTRITION COMBINED WITH HIRING STOPS AND RESIGNATION BONUSES - BONN 11165 -THE WORK FORCE HAD ALREADY BEEN REDUCED FROM 161,000 IN EARLY 1974 TO 133,000.)

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4. ALREADY BEFORE SCHMUECKER'S ANNOUNCEMENT, THE WORKERS AT VOLKSWAGEN'S AUDI PLANT IN NECKARSULM, BADEN-WUERTTEMBERG RESPONDED TO REPORTS THAT THEIR PLANT WOULD BE CLOSED BY STAGING A WORK STOPPAGE ON APRIL 4. FOLLOWING THE DEMONSTRATION, THE MINISTER PRESIDENT OF BADEN-WUERTTEMBERG, HANS FILBINGER, CDU, ASKED SCHMUECKER AND THE CHAIRMAN OF THE BOARD OF SUPERVISORS, HANS BIRNBAUM, TO MEET WITH HIM AND OFFICIALS OF THE

METALWORKERS UNION. FOLLOWING THE MEETING IT WAS  
ANNOUNCED THAT THE NECKARSULM PLANT WOULD NOT BE CLOSED.

5. THE ANTICIPATED DISMISSALS PLACED THE METALWORKERS  
UNION IN A DIFFICULT POSITION. LODERER, WHO FACES AN  
ESPECIALLY EMBARRASSING DILEMMA BECAUSE OF HIS APPARENT-  
LY CONFLICTING ROLES AS UNION LEADER AND COMPANY SUPER-  
VISOR, TOOK THE POSITION THAT THE NUMBER OF DISMISSALS  
WAS EXCESSIVE. HE PROPOSED THAT 4,700 WORKERS FROM  
THE PLANTS AT SALZGITTER, HANNOVER AND NECKARSULM BE DIS-  
CHARGED GRADUALLY BETWEEN JULY 1975 AND THE END

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OF 1976. THE METALWORKERS ALSO MAINTAIN THAT THE VW MANAGEMENT IS TOO PESSIMISTIC ABOUT FUTURE SALES. IN AN APPARENT EFFORT TO DEFEND LABOR REPRESENTATION ON THE BOARD OF SUPERVISORS, LODERER SAID THAT IF VOLKSWAGEN HAD BEEN OPERATING UNDER PARITY MITBESTIMMUNG (WHICH UNCLASSIFIED

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WOULD GIVE LABOR EQUAL REPRESENTATION ON BOARDS OF SUPERVISORS) THE DIFFICULTIES AT VW WOULD NOT EXIST. THE DISTRICT LEADER OF THE METALWORKERS UNION FOR BADEN-WUERTTEMBERG, FRANZ STEINKUEHLER, ASKED THE GOVERNMENT TO PROVIDE IMMEDIATE ASSISTANCE FOR THE WORKERS WHO LOSE THEIR JOBS AND HELP CREATE NEW JOBS. HE ALSO CRITICIZED THE GOVERNMENT FOR NOT HAVING ALREADY ANNOUNCED ITS INTENTIONS.

6. THE CDU, AGAINST THE BACKGROUND OF ELECTION CAMPAIGNS IN NORTH RHINE-WESTPHALIA AND THE SAARLAND AND THE SPD SLOGAN "VOTE FOR THE UPSWING", QUICKLY BROUGHT THE ISSUE INTO THE POLITICAL ARENA. THE OPPOSITION, IN A BUNDESTAG DEBATE WHICH IT REQUESTED, SOUGHT TO IDENTIFY THE SPD WITH THE PROBLEMS AT VOLKSWAGEN. DURING THE DEBATE AND IN NUMEROUS PRESS RELEASES, CDU FRACTION LEADER CARSTENS CHARGED THAT INFLATIONARY GOVERNMENT ECONOMIC POLICY AND REMARKS "AGAINST THE AUTOMOBILE" BY CHANCELLOR SCHMIDT AND JUSTICE MINISTER VOGEL HAD PLAYED A ROLE IN THE CURRENT DIFFICULTIES. CLAIMING THAT TWO THIRDS OF THE MEMBERS OF THE BOARD OF SUPERVISORS AT VW ARE MEMBERS OF THE SPD, CARSTENS AND OTHER CDU SPOKESMEN ASSERTED THAT THE FEDERAL GOVERNMENT AND THE GOVERNMENT OF LOWER SAXONY (THE TWO GOVERNMENTS OWN 40 PERCENT OF VW STOCK) BORE PART OF THE RESPONSIBILITY FOR THE NECESSITY TO DISMISS WORKERS. CARSTENS ACCUSED THE FEDERAL GOVERNMENT OF NOT HAVING DONE ANYTHING TO MAKE THE DISMISSALS UNNECESSARY. HE CONCLUDED HIS SPEECH BY CALLING ON THE GOVERNMENT TO ANNOUNCE SPECIFIC MEASURES TO HELP THOSE WHO WOULD LOSE THEIR JOBS.

7. THE SPD BLAMED THE PROBLEM ON EARLIER MISTAKES BY VW MANAGERS WHICH ACCORDING TO CHANCELLOR SCHMIDT INCLUDED TAKING OVER AUDI.

8. ONE OF THE REMAINING ISSUES IS THE QUESTION OF GOVERNMENTAL ASSISTANCE FOR THOSE WHO WILL BE AFFECTED BY DISMISSALS. OF COURSE DISCHARGED VW EMPLOYEES WILL BE ENTITLED TO THE USUAL GENEROUS UNEMPLOYMENT BENEFITS. HOWEVER THERE IS CONSIDERABLE PRESSURE FOR SPECIAL PROGRAMS TO AID THE UNEMPLOYED. THE FEDERAL AND LAND  
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GOVERNMENTS INVOLVED ARE CONSIDERING REGIONAL AID MEASURES TO HELP PLACE DISCHARGED WORKERS IN NEW JOBS, BUT A PROGRAM HAS NOT EMERGED. BADEN-WURTEMBERG MINISTER PRESIDENT FILBINGER, CDU, WHO IS PLAYING AN ACTIVE ROLE, WILL MEET ON APRIL 22 IN BONN WITH ECONOMICS MINISTER FRIDERICH. FILBINGER HAS ALSO ANNOUNCED THAT HE WILL MEET LODERER. ON MAY 2, FRIDERICH WILL MEET WITH THE ECONOMICS MINISTERS OF LOWER SAXONY AND BADEN-WURTEMBERG TO DISCUSS THE GOVERNMENTAL RESPONSE TO THE DISMISSALS.

9. THE ATTITUDE OF THE WORKERS INVOLVED WILL ALSO PLAY AN IMPORTANT ROLE IN GOVERNMENTAL DECISIONS. ON APRIL 18, 6,000 WORKERS AT THE PLANTS IN NECKARSULM, HEILBRON AND NEUENSTEIN HELD A RALLY AND PARADE TO DEMAND THAT PUBLIC OFFICIALS APPROVE MEASURES TO HELP THOSE WHO WOULD LOSE THEIR JOBS. ACCORDING TO PRESS REPORTS THE DEMONSTRATIONS WERE ORDERLY. HOWEVER, THE "FRANKFURTER RUNDSCHAU" REPORTED THAT THE MOOD IN NECKARSULM WAS "EDGY" AND THAT THE UNIONS AND WORKS COUNCIL WERE ALREADY HAVING TROUBLE MAINTAINING DISCIPLINE.

10. COMMENT: THE ANNOUNCEMENT OF DISMISSALS AT VW IS DRAMATIC IN ITSELF. HIGH UNEMPLOYMENT PLUS TWO IMPORTANT LAND ELECTION CAMPAIGNS HAVE GIVEN THE NEWS ADDITIONAL IMPACT. THE DECISION BY THE VW BOARD OF SUPERVISORS TO DISMISS THOUSANDS OF WORKERS PROVIDES THOSE CONCERNED WITH AN OPPORTUNITY TO REFLECT ON THE WORKINGS OF MITBESTIMMUNG, ESPECIALLY THE ROLE PLAYED BY THE LABOR REPRESENTATIVES, WHEN THE NEEDS OF THE COMPANY AND THE NEEDS OF THE WORKERS CONFLICT. AND THE VOLKSWAGEN EXAMPLE WILL NO DOUBT FIGURE IN FUTURE DELIBERATIONS ON MITBESTIMMUNG.  
END COMMENT.  
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